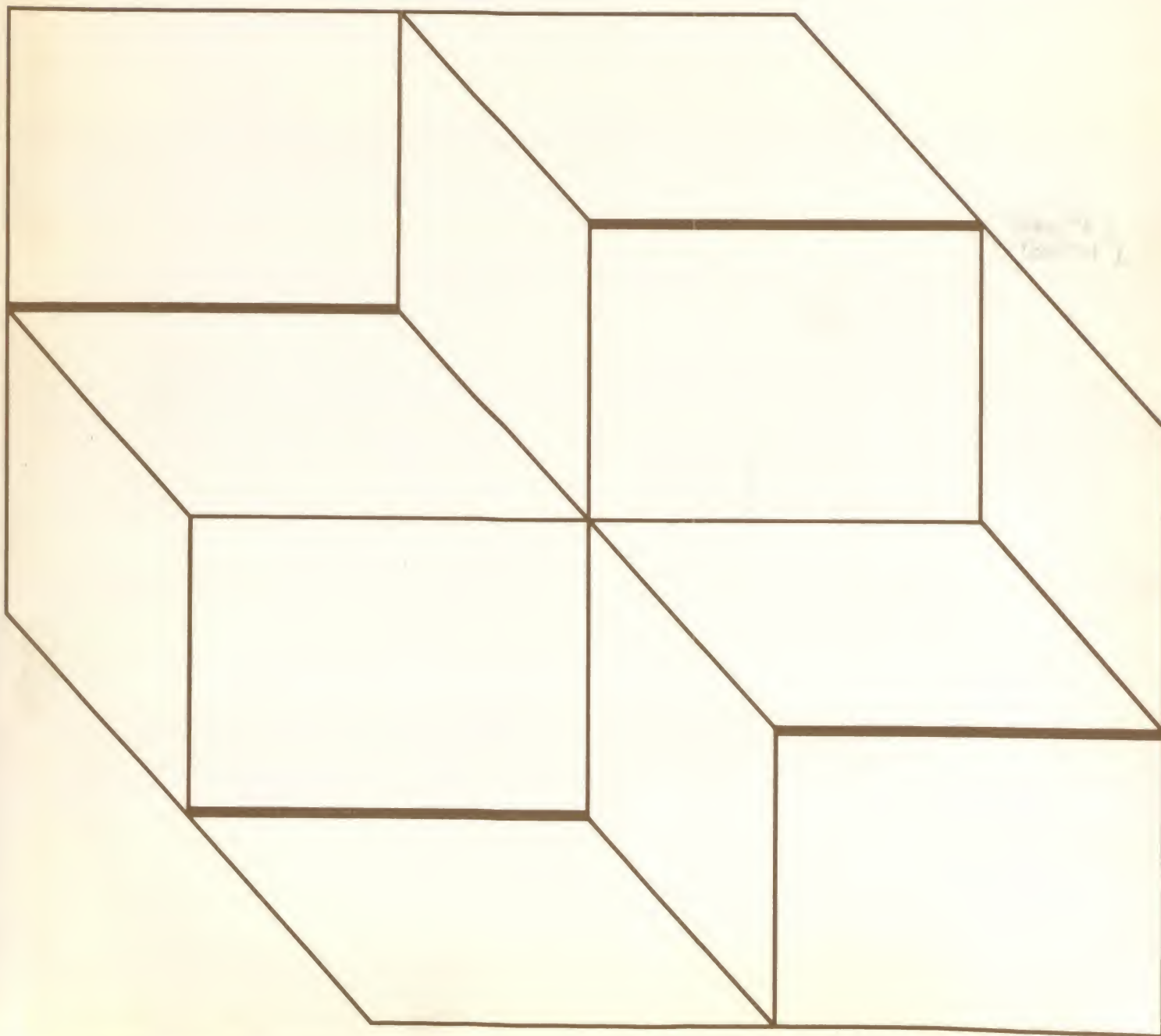


Container Corporation of America

Annual Report

1963

CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE



Container Corporation of America and Subsidiaries

Earnings Statements for Ten Year Period Ended December 31, 1963

	1963	1962
Sales	352 208 000	343 045 000
Cost of Sales	279 065 000	272 596 000
Gross earnings	73 143 000	70 449 000
Selling, administrative and research expenses	31 777 000	30 847 000
Earnings from operations	41 366 000	39 602 000
Other deductions, <i>income</i> , net	2 586 000	1 312 000
Earnings before income taxes	38 780 000	38 290 000
Provision for income taxes	19 950 000	19 620 000
Net earnings for the year	18 830 000	18 670 000
Depreciation and depletion	15 723 000	14 772 000
Earnings per share of common stock	1.71	1.72
Return on shareholders' investment	11.3%	12.0%

Record of Dividends for Ten Year Period Ended December 31, 1963

Total dividends	10 229 000	9 042 000
Dividends paid per share		
Preferred stock	4.00	4.00
Common stock	.92½	.82½

Note: Overseas subsidiaries included since 1958. *Excludes non-recurring earnings of \$1,894,000 or 18¢ per share

1960	1959	1958	1957	1956	1955	1954
20 138 000	16 425 000	19 005 000	16 865 000	34 456 000	36 756 000	27 714 000
28 120 000	24 557 000	22 643 000	15 600 000	15 078 000	14 634 000	8 942 000
32 430 000	31 725 000	29 680 000	24 232 000	22 252 000	23 522 000	13 790 000
2 644 000	3 343 000	3 206 000	2 314 000	2 267 000	2 254 000	1 470 000
83 332 000	76 050 000	74 534 000	59 011 000	74 053 000	77 166 000	51 916 000
—	—	—	—	16 754 000	25 000 000	1 318 000
2 529 000	4 815 000	2 286 000	12 806 000	11 942 000	6 958 000	11 725 000
12 182 000	10 721 000	10 622 000	8 927 000	8 436 000	8 702 000	5 637 000
233 654 000	215 252 000	200 527 000	159 784 000	125 651 000	109 289 000	85 638 000
95 166 000	84 043 000	74 365 000	62 835 000	58 086 000	55 654 000	42 181 000
3 464 000	3 316 000	3 273 000	3 103 000	1 657 000	1 559 000	1 214 000
239 995 000	226 111 000	216 877 000	180 796 000	180 407 000	173 020 000	115 267 000
6 042 000	8 246 000	15 020 000	—	—	—	—
20 765 000	19 592 000	18 228 000	12 506 000	11 222 000	11 832 000	8 950 000
14 254 000	12 704 000	11 560 000	12 576 000	17 363 000	19 115 000	16 935 000
41 061 000	40 542 000	44 808 000	25 082 000	28 585 000	30 947 000	25 885 000
3 254 000	2 509 000	1 715 000	276 000	—	—	—
33 600 000	34 947 000	35 000 000	35 000 000	35 000 000	35 000 000	—
—	—	—	—	—	—	—
9 979 000	4 112 000	1 259 000	550 000	700 000	850 000	—
6 689 000	6 816 000	6 308 000	666 000	645 000	6 782 000	—
6 431 000	6 733 000	7 007 000	7 297 000	7 341 000	7 892 000	8 192 000
53 365 000	52 778 000	52 564 000	52 545 000	52 544 000	25 225 000	24 958 000
2 403 000	686 000	59 000	—	—	19 914 000	18 410 000
83 213 000	76 988 000	68 157 000	59 380 000	55 592 000	46 410 000	37 822 000
239 995 000	226 111 000	216 877 000	180 796 000	180 407 000	173 020 000	115 267 000
145 412 000	137 185 000	127 787 000	119 222 000	115 477 000	99 441 000	89 382 000
13.02	12.36	11.49	10.65	10.29	9.07	8.13
42 271 000	35 508 000	29 726 000	33 929 000	45 468 000	46 219 000	26 031 000
2.03 to 1	1.88 to 1	1.66 to 1	2.35 to 1	2.59 to 1	2.49 to 1	2.01 to 1

Container Corporation of America and Subsidiaries

Year-End Balance Sheets for Ten Year Period Ended December 31, 1963

Assets

	1963	1962	1961
Cash and marketable securities	29 134 000	27 735 000	30 299 000
Receivables less reserves	34 021 000	30 364 000	29 315 000
Inventories	36 119 000	33 187 000	30 979 000
Prepaid expenses	2 921 000	3 121 000	3 341 000
Total current assets	102 195 000	94 407 000	93 934 000
Cash and securities set aside for plant additions and improvements	10 384 000	23 939 000	—
Investments and advances	4 021 000	3 479 000	3 035 000
Land and timberland	15 860 000	14 696 000	14 281 000
Buildings, machinery and equipment	297 784 000	268 592 000	247 860 000
Reserves for depreciation	131 478 000	118 870 000	105 415 000
Deferred charges	4 384 000	4 385 000	3 709 000
	303 150 000	290 628 000	257 404 000

Liabilities

Short-term loans and current portion of long-term debt	9 611 000	8 606 000	8 739 000
Accounts payable and accrued expenses	24 289 000	23 663 000	23 717 000
Accrued income taxes	13 168 000	12 839 000	15 184 000
Total current liabilities	47 068 000	45 108 000	47 640 000
Deferred income taxes and other liabilities	8 341 000	6 879 000	3 844 000
3.3% debentures, due 1980	27 140 000	29 861 000	31 359 000
4.4% debentures, due 1987	25 000 000	25 000 000	—
Other long-term debt	10 230 000	10 076 000	11 332 000
Minority interest in subsidiaries	7 535 000	7 230 000	7 036 000
Capital			
Preferred stock, less treasury stock and sinking fund provision	5 509 000	5 734 000	6 108 000
Common stock	54 549 000	53 800 000	53 552 000
Investment in excess of par value	6 026 000	3 789 000	3 010 000
Earnings retained	111 752 000	103 151 000	93 523 000
	303 150 000	290 628 000	257 404 000
Shareholders' investment	177 836 000	166 474 000	156 193 000
Investment per common share	15.80	14.94	14.01
Working capital	55 127 000	49 299 000	46 294 000
Current ratio	2.17 to 1	2.09 to 1	1.97 to 1

Note: Overseas subsidiaries included since 1958.

1961	1960	1959	1958	1957	1956	1955	1954
330 098 000	327 262 000	322 287 000	289 600 000	256 116 000	276 009 000	258 463 000	186 595 000
262 412 000	260 954 000	255 218 000	234 162 000	205 421 000	217 185 000	203 429 000	145 809 000
67 686 000	66 308 000	67 069 000	55 438 000	50 695 000	58 824 000	55 034 000	40 786 000
28 796 000	29 476 000	26 605 000	23 859 000	21 468 000	21 948 000	20 517 000	12 919 000
38 890 000	36 832 000	40 464 000	31 579 000	29 227 000	36 876 000	34 517 000	27 867 000
2 082 000	1 421 000	1 060 000	399 000	563 000	1 055 000	494 000	1 137 000
36 808 000	35 411 000	39 404 000	31 180 000	29 790 000	37 931 000	35 011 000	29 004 000
18 510 000	18 335 000	19 765 000	16 100 000	15 200 000	19 700 000	18 600 000	15 400 000
18 298 000*	17 076 000	19 639 000	15 080 000	14 590 000	18 231 000	16 411 000	13 604 000
13 467 000	12 829 000	11 703 000	10 741 000	6 756 000	6 060 000	5 686 000	4 110 000
1.68*	1.57	1.83	1.41	1.36	1.71	1.59	1.33
12.6%	12.4%	15.4%	12.2%	12.6%	18.3%	18.4%	16.6%
9 882 000	10 851 000	10 808 000	10 797 000	10 801 000	8 767 000	7 824 000	6 569 000
4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
.90	1.00	1.00	1.00	1.00	.81¼	.75	.62½

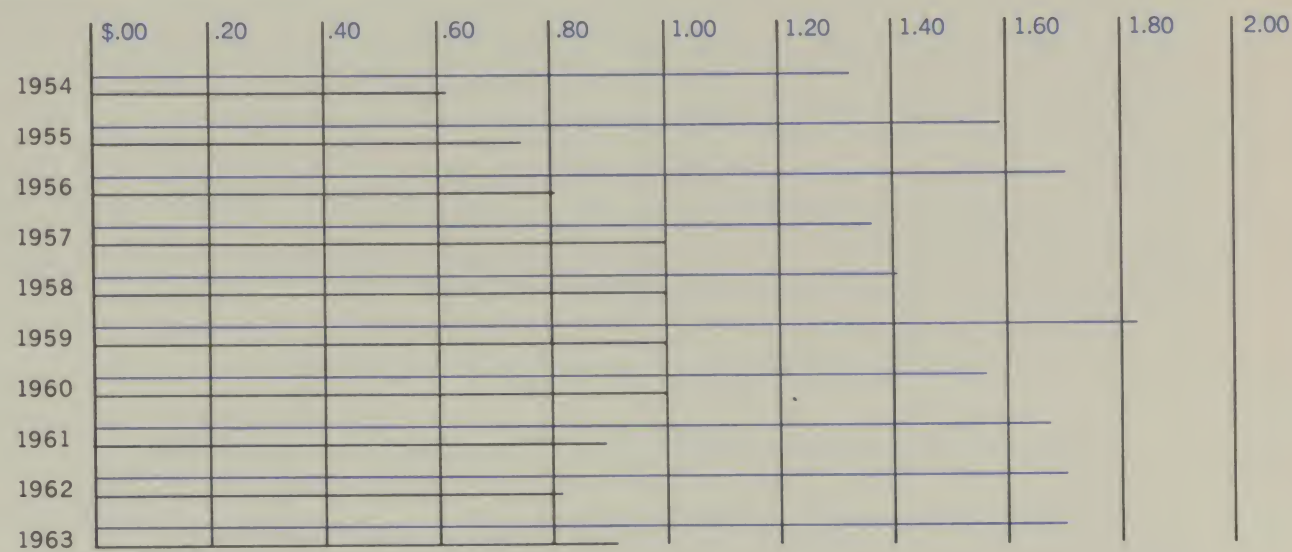
Quarterly earnings per share on common stock outstanding

	1963	1962
1st Quarter	.39	.35
2nd Quarter	.42	.47
3rd Quarter	.43	.46
4th Quarter	.47*	.44*
Total	1.71	1.72

*Fourth quarter earnings include a year-end adjustment credit of 8 cents per share for 1963 compared with 9 cents for 1962.

Dividends disbursed in 1963 were as follows:

Preferred Stock		Common Stock	
March 1	1.00	February 25	.22½
May 31	1.00	May 24	.22½
August 30	1.00	August 23	.22½
November 29	1.00	November 25	.25
Total	4.00		.92½



Earnings per Share

Dividends per Share

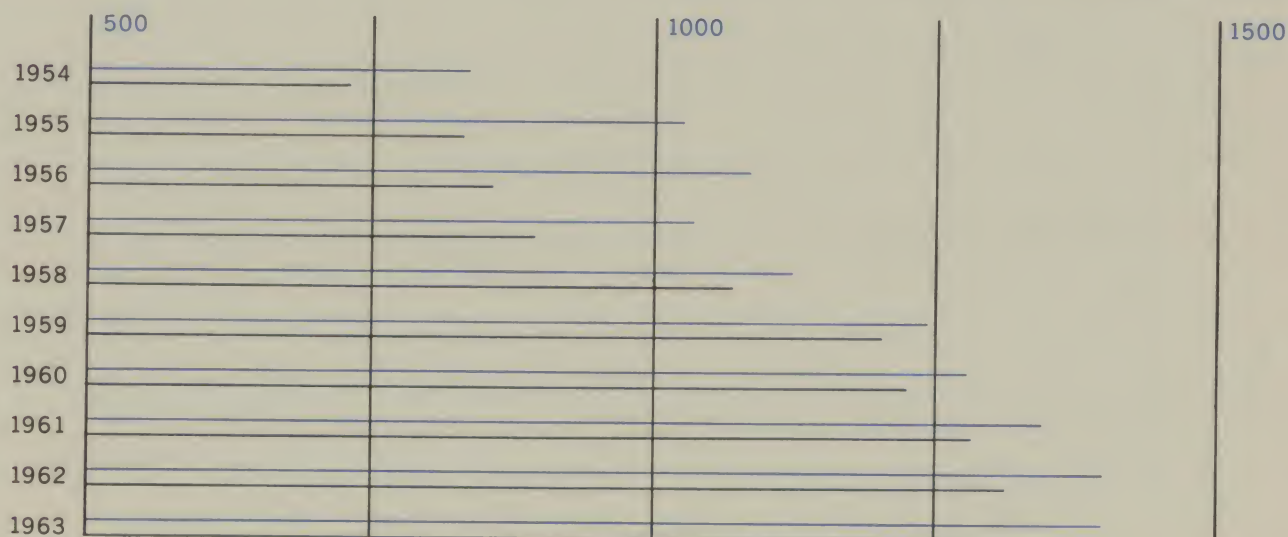
Domestic And Overseas Income Accounts For The Years 1963 And 1962 (In thousands of dollars)

	Consolidated		Domestic		Overseas	
	1963	1962	1963	1962	1963	1962
Net sales	352 208	343 045	273 348	273 268	78 860	69 777
Cost of sales	279 065	272 596	215 975	216 241	63 090	56 355
Gross income from operations	73 143	70 449	57 373	57 027	15 770	13 422
Selling, administrative and research expenses	31 777	30 847	25 687	25 233	6 090	5 614
Income from operations	41 366	39 602	31 686	31 794	9 680	7 808
Other deductions, <i>income</i> , net	2 586	1 312	428	214	2 158*	1 526*
Income before income taxes	38 780	38 290	31 258	32 008	7 522	6 282
Provision for income taxes	19 950	19 620	15 810	16 248	4 140	3 372
Net income for the year	18 830	18 670	15 448	15 760	3 382	2 910

*Includes deduction for minority interest of \$1,204,000 in 1963 and \$1,019,000 in 1962 and deduction in 1962 of \$351,000 resulting from use of free rates for conversion of overseas currencies.

Distribution of sales dollars according to product classifications

Corrugated and solid fibre shipping containers	169 073 000	48%
Folding cartons, fibre cans and plastic products	119 796 000	34%
Paperboard, pulp, waste paper and other	63 339 000	18%
Net sales	352 208 000	100%



Finished Product Shipped (In Thousands of Tons)

Mill Production (In Thousands of Tons)

Container Corporation of America and Subsidiaries

Domestic And Overseas Net Assets—December 31, 1963 And 1962 (In thousands of dollars)

	Consolidated		Domestic		Overseas	
	1963	1962	1963	1962	1963	1962
Cash and marketable securities	29 134	27 735	24 817	24 363	4 317	3 372
Receivables, less reserves	34 021	30 364	23 885	22 622	10 136	7 742
Inventories	36 119	33 187	23 610	23 094	12 509	10 093
Prepaid expenses	2 921	3 121	1 756	2 353	1 165	768
Total current assets	102 195	94 407	74 068	72 432	28 127	21 975
Cash and securities set aside for plant additions	10 384	23 939	10 384	23 939	—	—
Investments and advances	4 021	3 479	2 150	1 611	1 871	1 868
Plant and equipment, less reserves	182 166	164 418	131 061	116 008	51 105	48 410
Deferred charges	4 384	4 385	3 913	3 974	471	411
Total assets	303 150	290 628	221 576	217 964	81 574	72 664
Short-term loans & current portion of long-term debt	9 611	8 606	94	256	9 517	8 350
Accounts payable and accrued expenses	24 289	23 663	17 683	17 692	6 606	5 971
Accrued income taxes	13 168	12 839	9 909	10 201	3 259	2 638
Total current liabilities	47 068	45 108	27 686	28 149	19 382	16 959
Deferred income taxes and other liabilities	8 341	6 879	7 020	6 140	1 321	739
Long-term debt	62 370	64 937	53 291	56 511	9 079	8 426
Total liabilities	117 779	116 924	87 997	90 800	29 782	26 124
Total net assets	185 371	173 704	133 579	127 164	51 792	46 540
Minority interest in subsidiaries	7 535	7 230	—	—	7 535	7 230
Company interest	177 836	166 474	133 579	127 164	44 257	39 310

An application of funds statement

Funds were provided from the following sources

Earnings for the year	\$ 18 830 000	
Provision for depreciation and depletion	15 723 000	34 553 000
Decrease in cash and securities set aside for plant additions		13 555 000
Increase in deferred income taxes and other liabilities		1 462 000
Proceeds from exercise of stock options		2 971 000
Other		384 000
Total funds provided		52 925 000

Funds were expended for the following

Plant and equipment		
Additions and improvements	35 978 000	
Less net book value of sales and retirements	1 887 000	34 091 000
Dividends		
4% cumulative preferred stock	226 000	
Common stock	10 003 000	10 229 000
Purchase of preferred stock and sinking fund provision		210 000
Decrease in long-term debt		2 567 000
Total funds expended		47 097 000
Resulting in an increase in working capital of		\$ 5 828 000

Auditors' Opinion

To the Shareholders of Container Corporation of America:

We have examined the consolidated balance sheet of CONTAINER CORPORATION OF AMERICA (a Delaware corporation) and subsidiaries as of December 31, 1963, and the related statements of consolidated income, consolidated earnings retained for requirements of the business and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We had made a similar examination for the previous year. Financial statements of certain subsidiaries included in the consolidated statements were not examined by us, but we were furnished with reports of other auditors thereon.

In our opinion, based upon our examination and upon the reports of other auditors referred to above, the accompanying consolidated balance sheet and related statements of consolidated income, consolidated earnings retained for requirements of the business and application of funds present fairly the financial position of Container Corporation of America and subsidiaries as of December 31, 1963, and the results of their operations and application of funds for the year then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Chicago, Illinois, January 28, 1964

ARTHUR ANDERSEN & CO.

Container Corporation of America and Subsidiaries

Statements of Consolidated Income for the Years Ended

December 31, 1963 and 1962

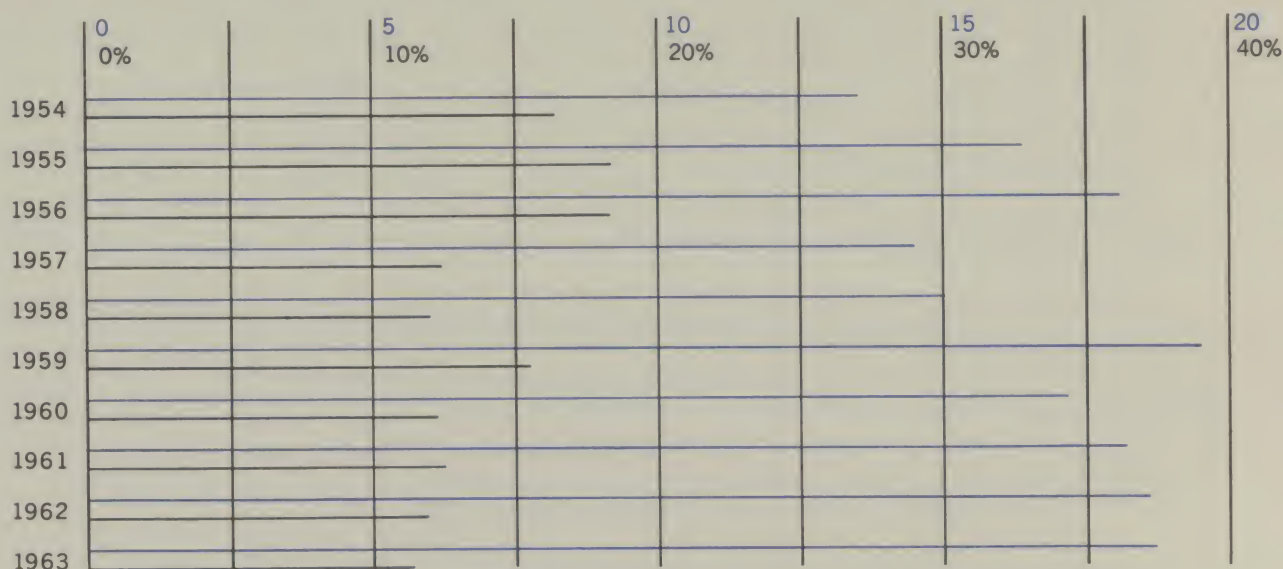
	1963	1962
Net sales	\$352 208 000	\$343 045 000
Cost of sales	279 065 000	272 596 000
Gross income from operations	73 143 000	70 449 000
Selling, administrative and research expenses	31 777 000	30 847 000
Income from operations	41 366 000	39 602 000
Other deductions, net	2 586 000	1 312 000
Income before income taxes	38 780 000	38 290 000
Provision for income taxes	19 950 000	19 620 000
Net income for the year	\$18 830 000	\$18 670 000

Statements of Consolidated Earnings Retained for Requirements of the Business

For the Years Ended December 31, 1963 and 1962

	1963	1962
Balance beginning of year	\$103 151 000	\$ 93 523 000
Net income for the year	18 830 000	18 670 000
Less cash dividends on preferred and common stock	10 229 000	9 042 000
Balance end of year (note 1)	\$111 752 000	\$103 151 000

The accompanying notes are an integral part of these statements.



Net Income in Millions of Dollars

Percent Return on Shareholders' Investment

Liabilities	1963	1962
Short-term loans and current portion of long-term debt	\$ 9 611 000	\$ 8 606 000
Accounts payable and accrued expenses	24 289 000	23 663 000
Accrued income taxes	13 168 000	12 839 000
Total current liabilities	47 068 000	45 108 000
Deferred income taxes and other liabilities	8 341 000	6 879 000
Long-term debt		
3.30% sinking fund debentures, due 1980, less current portion (Note 1)	27 140 000	29 861 000
4.40% sinking fund debentures, due 1987 (Note 1)	25 000 000	25 000 000
Other	10 230 000	10 076 000
	62 370 000	64 937 000
Minority interest in subsidiaries	7 535 000	7 230 000
Capital		
4% cumulative preferred stock, \$100 par value; authorized and issued 58,000 shares, less 1,929 shares held in treasury and \$108,707 sinking fund provision at December 31, 1963	5 509 000	5 734 000
Common stock, \$5 par value; authorized 15,000,000 shares, issued 10,909,882 shares at December 31, 1963 (Note 2)	54 549 000	53 800 000
Shareholders' investment in excess of par value (Note 2)	6 026 000	3 789 000
Earnings retained for requirements of the business (Note 1)	111 752 000	103 151 000
	177 836 000	166 474 000
	\$303 150 000	\$290 628 000

(2) Under the stock option plan for officers and key employees, options for the purchase of 247,280 shares at prices ranging from \$18.19 to \$27.88 per share were outstanding at December 31, 1963. Of the total, 224,700 shares were exercisable at December 31, 1963, and the remainder become exercisable during 1964 and 1965. Unexercised options expire by 1970. Options for 149,824 shares were exercised in 1963. The increase in shareholders' investment in excess of par value during 1963 includes \$2,221,421 representing the excess of proceeds over par value of these shares and \$15,483 from purchases of preferred stock for sinking fund at less than par value.

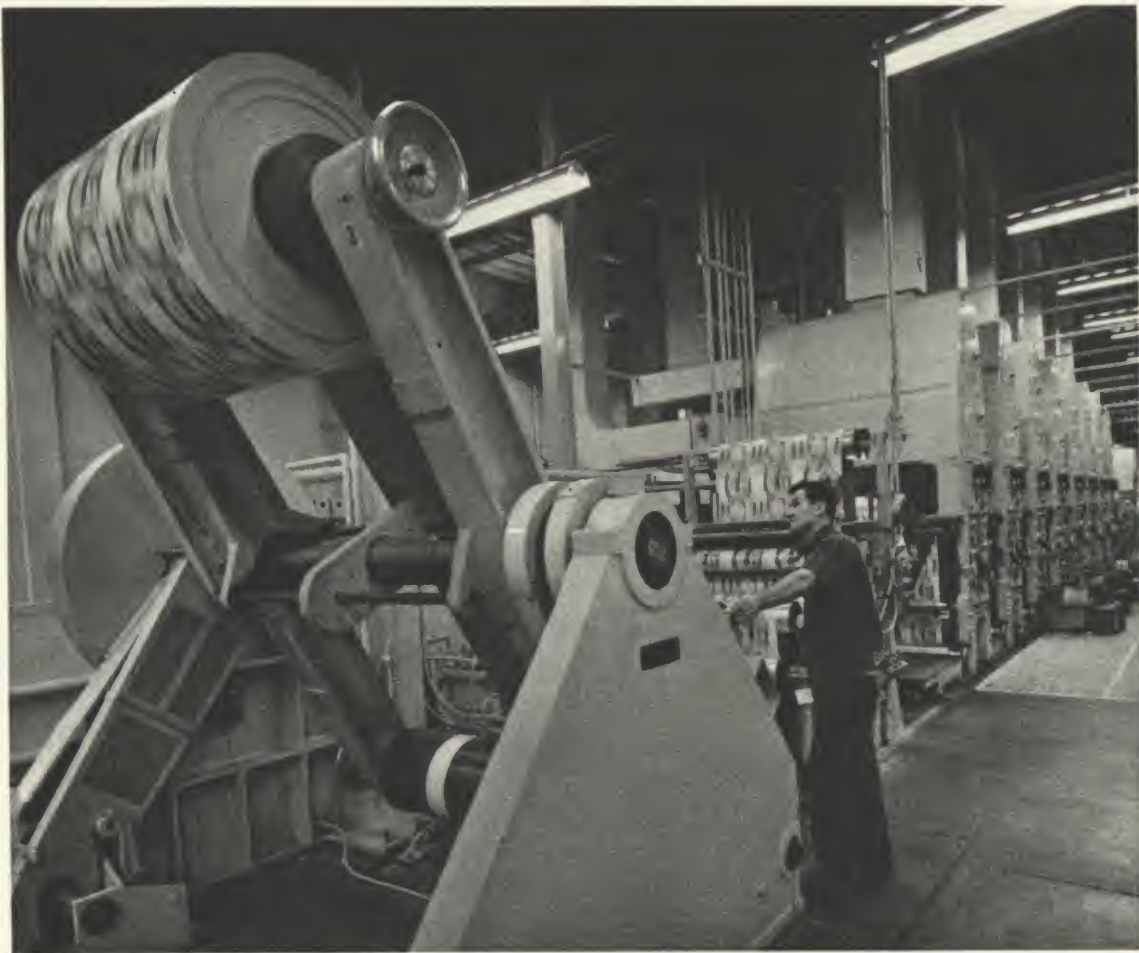
Container Corporation of America and Subsidiaries

Consolidated Balance Sheets—December 31, 1963 and 1962

Assets	1963	1962
Cash	\$ 10 376 000	\$ 9 501 000
Marketable securities	18 758 000	18 234 000
Receivables, less reserves	34 021 000	30 364 000
Inventories — priced at the lower of average cost or market	36 119 000	33 187 000
Prepaid expenses	2 921 000	3 121 000
Total current assets	102 195 000	94 407 000
Cash and securities set aside for plant additions and improvements	10 384 000	23 939 000
Investments and advances, at cost	4 021 000	3 479 000
Plant and equipment, at cost		
Land and timberland, less depletion	15 860 000	14 696 000
Buildings, machinery, equipment, etc.	297 784 000	268 592 000
Less—Reserves for depreciation	131 478 000	118 870 000
	182 166 000	164 418 000
Deferred charges	4 384 000	4 385 000
	\$303 150 000	\$290 628 000

Notes to financial statements:

(1) Sinking fund requirements for the 3.30% sinking fund debentures are \$1,400,000 annually through 1979 and \$8,400,000 in 1980 and for the 4.40% sinking fund debentures are \$1,000,000 annually beginning in 1968 through 1986 and \$6,000,000 in 1987. Under the terms of the more restrictive of the debenture indentures and certain other restrictions, approximately \$74,000,000 of the consolidated earnings retained at December 31, 1963, were restricted as to dividends on and acquisitions of capital stock.



modern and efficient package fabricating
facilities being built by Container Corporation of America
today are designed to meet and anticipate the
growing packaging needs of tomorrow



self-service will expand as marketing grows more competitive, demanding packaging which functions more efficiently in marketing and distribution



estimated production of 7,000,000 new television sets
in 1964 is an indication of the growing importance of visual
communication in marketing



new construction will boost the market
for household and business equipment



automotive manufacturers predict new cars will be produced
at the rate of more than 600,000 per month in 1964,
as our gross national product passes the \$600 billion level



disposable income will rise as more married women
join the work force and spend more
for clothes, cosmetics and convenience foods



rising standards of living in Europe and Latin America
will increase international trade and put greater
demands on packaging and material handling



formation of new households creates
new markets for durable goods and increases demand
for nondurable goods and services



living standards are rising and more people are moving to urban areas



a growing population demands more efficient
production and distribution of agricultural products



packaging's growth is related to the nation's
expanding population



paperboard packaging performs a vital function
for most manufacturing and processing industries

the growth of the packaging industry and the
profitability of Container Corporation of America
are closely related to the economy of the nation

Chairman and
Vice Chairman retire

men have long been associated with Container's carton, mill and container divisions.

Wesley M. Dixon and John V. Spachner, two men who played major roles in the development of Container Corporation from a \$11,000,000 business into the leading corporation in the paper-board packaging field, retired on December 31, 1963.

Mr. Dixon joined Container in 1930 with the merger of Dixon Board Mills and Sefton Manufacturing Company into Container Corporation. He had been president of the former companies and became vice president and director of Container Corporation after the merger. He was elected president in 1946, and became chairman of the board and chief executive officer in 1960.

Mr. Spachner has been associated with Container Corporation and its predecessor company since 1918. He served as president of Pioneer Paper Stock Company, then a wholly-owned subsidiary, and subsequently became a vice president and director of the parent company. He was elected executive vice president in 1949, and vice chairman in 1961. Mr. Spachner has been directly responsible for Container's expansion overseas, and served as chairman and director of many of its overseas subsidiaries.

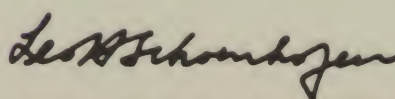
At the meeting of the Board of Directors on December 12, 1963, the by-laws were amended to eliminate the offices of chairman and vice chairman.

Mr. Dixon and Mr. Spachner will continue as directors and members of the executive committee of the corporation, which will continue to benefit from their long experience in the company and in the industry.

Changing nature of packaging
business offers growth
and profit opportunities

During the past twelve months, the nature of the packaging business has continued its pattern of constant change. Competition has grown more intense. Profit margins have been under continuous pressure. The packaging requirements of our customers have changed.

The men and women of Container Corporation have moved aggressively to meet these changes and to anticipate the needs of thousands of customer companies in diverse industries. This is the path to continued growth and increased profitability. It is the path that will be taken in 1964.



Leo H. Schoenhofen, President and Chief Executive Officer

options for the purchase of 247,280 shares of common stock were outstanding. The privilege of granting options under the plan expired on January 1, 1961.

In 1963, the company contributed \$1,939,000 to its stock bonus plan for the benefit of 2,067 employee members. At the end of 1963, the Container Common Stock Trust fund owned 681,951 shares of the outstanding common stock of the company.

As part of the company's pension plan, 982 employees or their joint annuitants were receiving pensions at the close of 1963. A total of 1,554 employees have received pensions since the original plans were instituted.

Stock ownership
is widely distributed

Ownership of the common stock of Container Corporation is spread among individuals living in each of the 50 states, and in 17 foreign countries. At year's end, there were 16,323 individual shareholders, not counting shares which were registered in the names of brokers, institutions, and corporations. The average individual shareholder owned 314 shares of stock; and the largest individual or corporate shareholders, other than the Container Common Stock Trust, owned less than three per cent of the company's common stock.

\$349,000 distributed by
Concora Foundation

The Concora Foundation, which was established in 1951 as a non-profit corporation to aid charitable, scientific and educational institutions, made grants totalling \$349,000 during 1963. These grants were distributed as follows:

58 per cent to educational institutions, 39 per cent to charitable organizations, and 3 per cent to scientific and cultural organizations. At year's end, the book value of the foundation's assets stood at \$1,155,000. The company made no contribution to the foundation in 1963.

New officers elected
by Board of Directors

Harry E. Green was elected senior vice president. He will continue as general counsel and will assume direction of overseas properties, formerly under the vice chairman.

Earl P. Kaufman, who has responsibility for the company's Latin American subsidiaries, and Lennart M. Ulvaeus, who is in charge of the West German subsidiary, Europe Carton A.G., and of the Italian properties, were elected vice presidents of Container Corporation.

Paul A. Graf, Frank G. Jones, William H. Richards and Everett G. Temple were elected vice presidents of the corporation. These

Craftsmanship is keynote for
19,137 CCA employees

Decentralization speeds
management development

headquarters of CCA's graphic design laboratories was moved to new facilities adjacent to the folding carton plant at Carol Stream, Illinois. Creative efforts of graphic designers are supported by market research and scientific testing of package design.

When a homemaker goes shopping at her favorite supermarket, the thousands of paperboard cartons she sees on the shelves are competing intensely for her attention and her impulse to buy. The package is the salesman at the point of sale, and it has to be good. The most important element in Container Corporation operations is the attitude of craftsmanship with which its people go about the complex business of converting a blank sheet of paperboard into a successful package.

The 19,137 men and women of Container Corporation and their skills constitute the company's most valuable asset. Labor relations were satisfactory during the year, with no work interruptions. A vital aspect of packaging quality is the environment in which craftsmen, engineers, and designers work. Although the operations of Container Corporation are integrated, each fabricating facility is operated as a separate profit center, headed by a general manager who is responsible for sales and production, and represents Container Corporation management in his community. At the same time, services of the various staff departments based at corporate headquarters in Chicago are available to all plants. This decentralization of responsibility improves utilization of management personnel, and leads to development of managerial talent in depth.

Individual achievements can readily be reviewed and rewarded in relation to return on investment at each property. This makes for realistic consideration of new capital investments at a lower level of management.

Through the company's management profit-sharing plan, payment of \$338,885 to 77 participants was approved for 1963 by non-participating directors who are responsible for the determination of payments. Payments of \$319,680 were made to 74 participants in 1962.

Under the company's stock option plan, 399,944 shares of common stock were under option to 242 officers and key employees at the beginning of 1963. During the year, 149,824 were exercised and issued, and 2,840 were cancelled. At the end of 1963,

CCA invests \$3 million
annually in research

are continuously evaluated and utilized to provide packaging which fulfills the distribution and marketing requirements of each individual customer.

Last year, Container Corporation invested more than \$3 million in research and development activities conducted at four research centers staffed with highly skilled specialists and equipped with modern scientific tools. The research center for corrugated and solid fibre products is located in Chicago; research for paper-board, folding cartons and plastic products is conducted at two separate centers near Valley Forge, Pennsylvania; and fibre can research activities are centered in St. Louis. Research is viewed as an investment in the future of the company, to develop new markets, and to help meet the growing packaging needs of industries which will seek to satisfy the potential demands of an expanding population in the next decade.

CCA leads in development
of packaging machinery

Container Corporation of America maintains a staff of structural engineers who serve the packaging needs of customers at all fabricating operations. New structural designs are also developed at the centralized laboratories maintained by the company's folding carton, shipping container, fibre can and plastics divisions.

Container's experience in packaging a wide variety of products also has been a factor in the company's leadership in the development of highly efficient, automated packaging lines for a variety of items, ranging in size from frozen peas to major appliances. These lines usually require the simultaneous development of specially designed packages and high-speed machines to form, fill, and seal them. The company's machinery development specialists and package structural engineers work closely with customers and machinery manufacturers to assure mutual accommodation of packaging and machinery requirements.

Graphic design makes
package persuasive

As consumer marketing grows more competitive, the package becomes more important as a means of creating distinctions among products. And the package which packs the most persuasive punch in its graphic design assures maximum sales success in this competitive area.

Creative design services are made available to packaging customers at more than 80 major production facilities in the United States, Western Europe, and Latin America. In 1963, the company established a graphic design center in Hamburg, Germany. The

equipment for numerous other United States and overseas facilities.

The increased operational economy and improved product quality which will result from the use of these facilities will benefit CCA operations in future years, helping to ensure a continued high return on invested capital. The 1963 earnings of the company represent a return of 11.3 per cent on invested capital, a rate which continues to be among the highest in the industry.

Marketing innovations
increase importance
of packaging

While the vitality of the packaging industry is closely related to population growth, higher living standards, and the general economic vigor of the nation, a major factor in packaging's current growth is the strong emphasis which major companies in most industries today place on the marketing function. Product research, market research, development of new products, and major improvements of existing products are being introduced as a means of searching out, and satisfying, the changing needs and desires of today's consumer.

In the food field, for example, one out of every three items found on the shelves of supermarkets today was not there ten years ago. If new product development in the grocery field continues at its current rate, it is estimated that 50 per cent of food manufacturer sales ten years from now will come from products that do not exist today.

New products need new packages. Because of the increasingly important role which packaging plays in the total marketing structure, Container Corporation operates a marketing research center where desires and tastes of consumers are studied. The center, unique in the packaging industry, is staffed with trained researchers who probe the conscious and subconscious consumer preferences in elements of product design, package design, and promotional materials. Working with the results of this research, CCA designers create packaging which will be an integral part of a product's total marketing strategy, appealing to customers in the specific market for which a particular product is intended.

Services help ensure growth
and profitability

The primary purpose of the company's market research services is to help CCA customers serve *their* customers profitably. In this way, CCA ensures its own future growth and profitability. The company regards itself primarily as a packaging company. New packaging materials and combinations of existing materials

Mills, fabricating plants are
strategically located

\$36 million invested
in plant expansion
and modernization

Modernization helps
maintain high return
on equity

serves only to the extent of good timber management. This policy also makes for flexibility in the use of materials. Four out of five pulpwood logs used by CCA mills are purchased from independent landowners and forest farmers. Management of company timberlands is directed toward improving the yield of pulpwood, sheltering and feeding wildlife, minimizing erosion, and providing recreation areas for the general public. Each year Container Corporation plants, or gives away to independent landowners, millions of pine seedlings. Continuous progress is being made in the development of genetically superior pulpwood trees.

The paperboard produced by CCA mills provides the raw material for fabricating facilities which produce finished paperboard cartons, corrugated and solid fibre shipping containers, fibre cans, and other packaging products. The company's 26 paperboard mills are located adjacent to supplies of raw materials. Its package printing and fabricating facilities are strategically located in major marketing centers of the United States, Western Europe, and Latin America.

To maintain its leadership in the current era of expansion and innovation, Container in 1964 will complete a three-year, \$93 million modernization and expansion program, designed to provide efficient paperboard mills and package fabricating facilities to meet and anticipate packaging needs of customer firms in both hemispheres. In 1963, expansion and modernization projects involved capital expenditures of \$36 million, compared with capital expenditures of \$24 million in 1962. Capital investment of \$33 million has been programmed for 1964.

As part of this program, a new folding carton manufacturing facility—largest and most modern in the world—was opened in 1963 at Carol Stream, near Chicago. A new building program at the Anderson, Indiana, corrugated shipping container plant was completed, improving efficiency and increasing productive capabilities. A new fibre can plant was opened in Dallas.

Production capacity of CCA mills at Brewton, Alabama; Circleville, Ohio; and Cali, Colombia will be increased by the installation of additional paperboard machines. These programs will be completed in 1964. Construction of new shipping container fabricating plants in Boston, Houston and St. Louis also is planned, along with purchase of modern and more efficient fabricating

Paperboard volume rises with population, living standards

per common share last year. At the September meeting, the board of directors increased the regular quarterly dividend rate to \$0.25, marking the second successive year in which the common stock dividend was raised. Four quarterly dividends of \$1.00 per share were paid to holders of preferred stock.

At year's end, the Bureau of Census estimated United States population had reached 190,695,000, an estimated 1963 gain of 2,633,000, or 1.4 per cent. A relatively high birth rate, together with rising living standards and the steadily increasing urbanization of our population, has led to high expectations of business expansion during the present decade. Our bumper crop of postwar babies will be completing school, joining the work force, marrying, establishing households, and raising families. All of these factors tend to exert an upward pressure on per capita consumption of paper—and of paperboard packaging—which continues growing steadily in the United States, and expanding five to ten times as fast in some of the rapidly developing nations of Western Europe and Latin America.

While per capita consumption has increased 18 per cent in the United States since 1954, it has risen 71 per cent in West Germany, 149 per cent in Italy and more than 100 per cent in the Latin American countries in which Container Corporation operates. The combined gain in those areas should double that of the United States each year for some time to come.

Paperboard production at new high in 1963

The domestic paperboard industry's 1963 production of 18.5 million tons set a new record for the nation, climbing 4.3 per cent over the 17.7 million ton record established in 1962. Container Corporation's domestic production of paperboard totaled 1,066,000 tons in 1963, six per cent of the industry.

As the world's largest producer of paperboard packaging, Container Corporation also is the world's largest industrial printer. The company operates 51 package printing and fabricating facilities in the United States, and 29 similar facilities overseas.

From forests to packaging; operations are integrated

Operations of Container Corporation are integrated from the forest to the finished package. To ensure a continuous supply of pulpwood, Container Corporation controls 407,405 acres of timberland through fee simple ownership, long-term leases, and timber rights. However, as a matter of policy the company tries to purchase all wood offered to it by landowners and to cut its own re-

Paperboard plays major role
in packaging industry

Sixth consecutive year
of sales gains

Earnings maintained
at \$18,830,000

Earnings per common share
at \$1.71; dividend at \$.92½

Americans, along with the peoples of other industrialized nations throughout the free world, continue to depend more and more on the convenience, economy, and reliability of packaged products. Packaging has established itself firmly as a service to consumers as well as a necessity for most manufacturing and processing industries. The value of packages produced in 1963 exceeded 13 billion dollars. Of this, paperboard packaging accounted for approximately 4.5 billion dollars. Container Corporation of America, the leader in paperboard packaging, saw its 1963 sales rise to \$352,208,000, from \$343,045,000 in 1962.

The 3 per cent sales increase recorded by Container Corporation last year marked the company's sixth consecutive year of unbroken sales growth. Sales of corrugated and solid fibre shipping containers totalled \$169,073,000, 48 per cent of the company's total for the year. Folding cartons, fibre cans, and plastic products accounted for \$119,796,000, or 34 per cent. The remaining 18 per cent of 1963 sales was divided among paperboard, pulp, waste paper and other products, which totalled \$63,339,000. After all charges, 1963 earnings were \$18,830,000, compared with 1962 earnings of \$18,670,000. This result was achieved in spite of increased competition and a marked softening of prices throughout the industry. In order to maintain a favorable price-profit relationship in this competitive climate, Container Corporation adhered to its policy of not reaching for additional volume at the expense of profitability, and continued to emphasize cost control measures. Container's 1963 earnings were maintained at a relatively high level despite the substantial, non-recurring costs of starting up six new fabricating facilities, the largest number of new plants the company has ever opened in one year. The new facilities are located at Anderson, Indiana; Carol Stream, Illinois; Jamesburg, New Jersey; and Heppenheim, Koenigsbrunn, and Neuburg in West Germany.

Domestic and overseas income taxes last year totalled \$19.9 million, compared with \$19.6 million in 1962.

When divided by the 10,909,882 shares of common stock outstanding at the end of 1963, earnings amounted to \$1.71 per common share compared with \$1.72 per share on fewer shares outstanding at the end of 1962. Dividends to common shareholders amounted to \$.92½ per share in 1963, compared with \$.82½

A Glance At The Last Two Years

	1963	1962
Sales	352 208 000	343 045 000
Tons shipped	1 401 000	1 405 000
Earnings	18 830 000	18 670 000
Earnings per common share	1.71	1.72
Per cent return on shareholders' investment	11.3	12.0
Dividends	10 229 000	9 042 000
Dividends per cent of earnings	54	48
Preferred dividends (per share)	4.00	4.00
Common dividends (per share)	.92½	.82½
Earnings retained for requirements of the business	8 601 000	9 628 000
Depreciation and depletion	15 723 000	14 772 000
Plant and paper mill additions and improvements	35 978 000	23 966 000
Working capital (current assets less current liabilities)	55 127 000	49 299 000
Taxes (federal, state, and local)	28 925 000	27 554 000
Taxes per common share	2.65	2.56
Shareholders' investment at year end	177 836 000	166 474 000
Shareholders' investment per employee	9 293	8 553

The Annual Meeting of the shareholders will be held on Tuesday, April 28, 1964. A notice of the meeting, together with a form of proxy and a proxy statement, will be mailed to shareholders on or about March 26, 1964, at which time proxies will be requested by the management.

Container Corporation of America
38 South Dearborn Street, Chicago 3

Directors:

Wesley M. Dixon,* Chicago, Illinois
John L. Dole, Chicago, Illinois
Gaylord A. Freeman, Jr.,* Chicago, Illinois
Albert H. Gordon,* New York, New York
Robert S. Ingersoll, Chicago, Illinois
Richard G. Ivey,* London, Ontario, Canada
John F. Merriam, Omaha, Nebraska
Leo H. Schoenhofen,* Chicago, Illinois
John V. Spachner,* Chicago, Illinois

Executive Officers:

Wesley M. Dixon, Chairman of the Board**
John V. Spachner, Vice Chairman of the Board**
Leo H. Schoenhofen, President and Chief Executive Officer
Thomas F. Cass, Executive Vice President
Frederick S. Crysler, Executive Vice President
Carl M. Blumenschein, Senior Vice President and Controller
Harry E. Green, Senior Vice President and General Counsel
Harry E. Miles, Senior Vice President
Henry G. Van der Eb, Senior Vice President
Paul W. Guenzel, Vice President and Treasurer
Laurence A. Combs, Vice President
Edward K. Meier, Secretary

Divisional Vice Presidents:

Edwin H. Bixby
Ralph B. Busch
G. William Colvin
Paul A. Graf
William P. Hooker
Frank G. Jones
Earl P. Kaufman
William H. Richards
John G. Robinson
J. Donald Scott
Everett G. Temple
Lennart M. Ulvaeus
William B. Whiting

Transfer Agents:

Harris Trust and Savings Bank, Chicago, Illinois
First National City Bank, New York, New York

Registrars:

Continental Illinois National Bank and Trust Company, Chicago, Ill.
Chemical Bank New York Trust Company, New York, New York

*Member of Executive Committee

**Retired December 31, 1963

